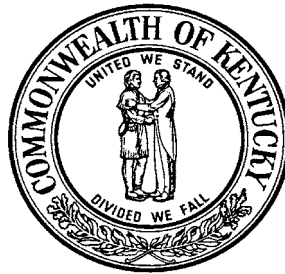


**REPORT OF THE AUDIT OF THE
SIMPSON COUNTY
FISCAL COURT**

**For The Fiscal Year
Ended June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net

144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SIMPSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Simpson County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$2,167,834 from the beginning of the year, resulting in a cash surplus of \$1,790,536 as of June 30, 2002.

Debt Obligations:

Total bonded debt principal as of June 30, 2002, was \$5,001,093. Future collections of \$7,921,963 are needed to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$886,858 as of June 30, 2002. Future principal and interest payments of \$1,357,349 are needed to meet these obligations.

Bond anticipation note principal totaled \$1,500,000 as of June 30, 2002. Future principal and interest payments of \$1,516,500 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

Simpson County Justice Center Corporation (SCJCC), an agency and instrumentality of the Simpson County Fiscal Court, issued SCJCC First Mortgage Revenue Bonds, Series 2002, on July 1, 2002, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On July 10, 2002, \$7,460,000 of bonds were issued at various interest rates.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jim Henderson, Simpson County Judge/Executive

Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Simpson County, Kentucky as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Simpson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Simpson County Tourism Commission. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Simpson County Tourism Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Simpson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Simpson County, Kentucky as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2002 on our consideration of Simpson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Simpson County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2002

SIMPSON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Jim Henderson	County Judge/Executive
Jim Brown	Magistrate
Larry Randolph	Magistrate
Charles McCutchen, Sr.	Magistrate
Kenneth Utley	Magistrate

Other Elected Officials:

Sid Broderson	County Attorney
James Mooneyhan	Jailer
Bobby C. Phillips, Jr.	County Clerk
Jan J. Murphee	Circuit Court Clerk
Joe Palma	Sheriff
Pam Womack	Property Valuation Administrator
Thomas Crafton	Coroner

Appointed Personnel:

Judy Hayes	County Treasurer
Julie Freeman	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

SIMPSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,065,668	\$ 9,392	\$ 703,024	\$ 11,361
Restricted Cash- Payroll Revolving Fund	46			
Total Assets	<u>\$ 1,065,714</u>	<u>\$ 9,392</u>	<u>\$ 703,024</u>	<u>\$ 11,361</u>
<u>Other Resources</u>				
Amounts to be Provided in Future Years:				
Capital Leases	\$ 886,858	\$	\$	\$
Bond Payments	271,093			4,719,437
Borrowed Money				1,499,202
Total Other Resources	<u>\$ 1,157,951</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,218,639</u>
Total Assets and Other Resources	<u><u>\$ 2,223,665</u></u>	<u><u>\$ 9,392</u></u>	<u><u>\$ 703,024</u></u>	<u><u>\$ 6,230,000</u></u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

Proprietary Fund Type	Totals (Memorandum Only) Primary Government
<u>Enterprise</u>	
\$ 1,091	\$ 1,790,536
	<u>46</u>
<u>\$ 1,091</u>	<u>\$ 1,790,582</u>
\$	\$ 886,858
	4,990,530
	<u>1,499,202</u>
<u>\$ 0</u>	<u>\$ 7,376,590</u>
<u>\$ 1,091</u>	<u>\$ 9,167,172</u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 7)	\$ 886,858	\$	\$	\$
Bonds:				
Series 1987 (Note 6)	271,093			
Series 2000 (Note 5)				4,730,000
Borrowed Money (Note 4)				1,500,000
Payroll Revolving Liabilities	46			
Total Liabilities	<u>\$ 1,157,997</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,230,000</u>
<u>Equity</u>				
Retained Earnings:				
Reserved	\$	\$	\$	\$
Fund Balances:				
Reserved (Note 10)	92,502	9,392	703,024	
Unreserved	973,166			
Total Equity	<u>\$ 1,065,668</u>	<u>\$ 9,392</u>	<u>\$ 703,024</u>	<u>\$ 0</u>
Total Liabilities and Equity	<u>\$ 2,223,665</u>	<u>\$ 9,392</u>	<u>\$ 703,024</u>	<u>\$ 6,230,000</u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

Proprietary Fund Type	Totals (Memorandum Only) Primary Government
<u>Enterprise</u>	
\$	\$ 886,858
	271,093
	4,730,000
	1,500,000
	46
<u>\$ 0</u>	<u>\$ 7,387,997</u>
\$ 1,091	\$ 1,091
	804,918
	973,166
<u>\$ 1,091</u>	<u>\$ 1,779,175</u>
<u>\$ 1,091</u>	<u>\$ 9,167,172</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

SIMPSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Types</u>		
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 4,054,597	\$ 2,005,232	\$ 976,255
Jail Canteen Receipts	32,671		
Other Financing Sources:			
Transfers In	1,840,645	122,434	
Borrowed Money	1,500,000	1,500,000	
Kentucky Advance Revenue Program:			
Principal	1,019,100	909,900	109,200
Interest	13,578	12,123	1,455
Lease-Purchase Proceeds	750,000	250,000	
Interest Earned On Lease Proceeds	1,652	1,652	
Total Cash Receipts	<u>\$ 9,212,243</u>	<u>\$ 4,801,341</u>	<u>\$ 1,086,910</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,336,905	\$ 2,100,806	\$ 922,150
Jail Canteen Expenditures	29,392		
Construction and Professional Fees	2,308,192	317	
Other Financing Uses:			
Transfers Out	1,840,645	1,674,500	121,932
Bonds and Bond Anticipation Notes:			
Principal Paid	1,513,043		
Interest Paid	291,502		
Principal on Capital Leases	27,720	24,842	
Kentucky Advance Revenue Program:			
Principal Paid	1,019,100	909,900	109,200
Interest Paid	13,578	12,123	1,455
Total Cash Disbursements	<u>\$ 11,380,077</u>	<u>\$ 4,722,488</u>	<u>\$ 1,154,737</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (2,167,834)	\$ 78,853	\$ (67,827)
Cash Balance - July 1, 2001	<u>3,958,370</u>	<u>534,466</u>	<u>416,546</u>
Cash Balance - June 30, 2002	<u>\$ 1,790,536</u>	<u>\$ 613,319</u>	<u>\$ 348,719</u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

General Fund Types		Special Revenue Fund Type	Capital Projects Fund Types	
Jail Fund	Local Government Economic Assistance Fund	911 Emergency Dispatch Fund	Jail Construction Fund	Justice Center Corporation Fund
\$ 908,845	\$ 70,326	\$ 63,835	\$ 16,191	\$ 13,746
180,332				
			500,000	
\$ 1,089,177	\$ 70,326	\$ 63,835	\$ 516,191	\$ 13,746
\$ 1,084,522	\$ 50,977	\$ 178,450	\$	\$
			1,903,980	401,874
			2,968	38,381
13,043				
	2,878			
\$ 1,097,565	\$ 53,855	\$ 178,450	\$ 1,906,948	\$ 440,255
\$ (8,388)	\$ 16,471	\$ (114,615)	\$ (1,390,757)	\$ (426,509)
9,181	86,366	124,007	1,676,207	844,083
\$ 793	\$ 102,837	\$ 9,392	\$ 285,450	\$ 417,574

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

	<u>Debt Service Fund Types</u>		<u>Enterprise Fund Type</u>
	<u>Jail Sinking Fund</u>	<u>Justice Center Corporation Bond Fund</u>	<u>Jail Canteen Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$	\$ 167	\$
Jail Canteen Receipts			32,671
Other Financing Sources:			
Transfers In		1,537,879	
Borrowed Money			
Kentucky Advance Revenue Program:			
Principal			
Interest			
Lease-Purchase Proceeds			
Interest Earned On Lease Proceeds			
Total Cash Receipts	\$ 0	\$ 1,538,046	\$ 32,671
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$
Jail Canteen Expenditures			29,392
Construction and Professional Fees		2,021	
Other Financing Uses:			
Transfers Out			2,864
Bonds and Bond Anticipation Notes:			
Principal Paid		1,500,000	
Interest Paid	238,200	53,302	
Principal on Capital Leases			
Kentucky Advance Revenue Program:			
Principal Paid			
Interest Paid			
Total Cash Disbursements	\$ 238,200	\$ 1,555,323	\$ 32,256
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (238,200)	\$ (17,277)	\$ 415
Cash Balance - July 1, 2001	248,763	18,075	676
Cash Balance - June 30, 2002	\$ 10,563	\$ 798	\$ 1,091

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

SIMPSON COUNTY
STATEMENT OF CASH
FLOWS-PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities:	
Cash Received From Vending And Telephone	\$ 5,556
Payments to Suppliers	(4,879)
Other Payments	<u>(415)</u>
Net Cash Provided By Operating Activities	<u>\$ 262</u>
Cash Flows From Noncapital Financing Activities:	
Cash Received on Inmate Accounts	\$ 27,115
Payments to Inmates	(24,098)
Net Transfers to Other Funds	<u>(2,864)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$ 153</u>
Net Increase in Cash	\$ 415
Cash and Cash Equivalents - Beginning	<u>676</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,091</u></u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Simpson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Simpson County Justice Center Corporation and Simpson County Tourism Commission as part of the reporting entity.

Simpson County Justice Center Corporation

Fiscal Court has the authority to appoint a voting majority of the Simpson County Justice Center Corporation's (JCC) Board of Directors. Fiscal Court also has the ability to approve or modify the JCC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the JCC. In addition, Fiscal Court is financially accountable for the JCC: legally entitled to the JCC's resources as well as legally obligated for the JCC's debt. Financial information for the Justice Center Corporation is blended within Simpson County's financial statements.

Simpson County Tourism Commission

On March 31, 1992, the Simpson County Fiscal Court (Fiscal Court) established the Simpson County Tourism Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Simpson County. The Commission is composed of seven members appointed by the Simpson County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On March 31, 1992, the Fiscal Court enacted an ordinance imposing a transient room tax.

The Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like or similar persons, groups or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." The Commission is to annually submit a request for funds to the Fiscal Court. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission should be presented discretely. The Commission did have financial activity during fiscal year 2002 and an audit report issued by an independent CPA is included in Appendix B.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Additional - Simpson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Simpson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Simpson County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Simpson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Simpson County Special Revenue Fund Type includes the following county fund: 911 Emergency Dispatch Fund.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund and the Simpson County Justice Center Corporation Fund of the Fiscal Court are reported as Capital Projects Fund Types.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Jail Sinking Fund and Justice Center Corporation Bond Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

5) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Simpson County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, deferred revenue, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Simpson County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Jail Construction Fund, Simpson County Justice Center Corporation Fund, Jail Sinking Fund, and Simpson County Justice Center Corporation Bond Fund. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Simpson County Fiscal Court: Simpson County Water District and Franklin Simpson County Ambulance Taxing District. The fiscal court's accountability for these organizations, however, does not extend beyond making the appointments.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Simpson County Fiscal Court:

Franklin-Simpson Parks Board, Inc.

The Simpson County Fiscal Court has retained an ongoing financial responsibility for the Franklin-Simpson Parks Board, Inc. The Fiscal Court provides \$125,000 of funding to the Parks Board each fiscal year. The Simpson County Fiscal Court should request the Franklin-Simpson Parks Board, Inc. obtain an independent audit each year.

Simpson County 911 Advisory Board

The Simpson County Fiscal Court and City of Franklin entered into an interlocal agreement to provide enhanced 911 services to the citizens of Simpson County. The agreement states, "If the parties terminate this agreement and the operation as contemplated herein, all assets and property of every kind and nature purchased or acquired with the above-mentioned Service Charges shall be sold, by public sale if the parties can agree and by public auction if they cannot, and the balance of the proceeds shall be divided 50% to the county and 50% to city after the county has been reimbursed for all funds advanced under this agreement."

Jointly Governed Organization

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Simpson County Fiscal Court: Franklin Simpson Industrial Development Authority, Franklin Simpson Planning and Zoning Commission, and Franklin Simpson Planning and Zoning Adjustment Board.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

SIMPSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Short Term Debt

Simpson County Justice Center Corporation Fund

Simpson County Justice Center Corporation (Corporation), an agency and instrumentality of the Simpson County Fiscal Court (Fiscal Court) created on March 20, 2001, issued bond anticipation notes, series 2001, dated May 1, 2001, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On May 29, 2001, \$1,500,000 of first mortgage revenue bond anticipation notes were issued at an interest rate of 4.25%. On April 2, 2002, these notes came due. The Corporation paid these notes with \$1,500,000 received from the Simpson County Fiscal Court. Simpson County Fiscal Court borrowed \$1,500,000 at an interest rate of 4% from Franklin Bank and Trust Company in order to provide these funds to the Corporation. The Corporation anticipates issuing revenue bonds (Note 8). The Corporation will provide funds from the bond issuance to the Fiscal Court to fully repay this borrowed money. Debt service requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2003	<u>\$ 16,500</u>	<u>\$ 1,500,000</u>

Note 5. Long Term Debt

General Obligation Bonds, Series 2000 - Jail Sinking Fund

Simpson County Fiscal Court issued general obligation bonds, series 2000, dated September 1, 2000, for the purpose of the detention facility renovation and addition. On September 15, 2000, \$4,730,000 of general obligation bonds were issued at various interest rates. Since these general obligation bonds were issued at a discount of \$45,685, and net bond proceeds were \$4,684,315. As of June 30, 2002, the principal balance was \$4,730,000. Debt service requirements are:

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Long Term Debt (Continued)

General Obligation Bonds, Series 2000 - Jail Sinking Fund (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 234,875	\$ 140,000
2004	227,988	150,000
2005	220,550	155,000
2006	212,550	165,000
2007	204,175	170,000
2008-2012	879,625	1,000,000
2013-2017	596,625	1,280,000
2018-2022	225,465	1,670,000
Totals	<u>\$ 2,801,853</u>	<u>\$ 4,730,000</u>

Note 6. Long-Term Participation Agreement

Revenue Bonds, Series 1987 - Jail Fund

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$991,772 of revenue bonds at various interest rates, of which the county has agreed to pay \$401,741 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 2002 totaled \$271,093. Debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 17,219	\$ 13,891
2004	16,286	14,795
2005	15,292	15,757
2006	14,233	16,783
2007	13,104	17,876
2008-2012	45,834	108,442
2013-2015	8,410	83,549
Totals	<u>\$ 130,378</u>	<u>\$ 271,093</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 7. Capital Lease Agreements

The county has entered into the following capital lease agreements:

A. Voting Machine Lease - General Fund

On November 20, 1994, the Simpson County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the purchase of voting machines. The principal was \$66,000 at 6.914 percent interest for a period of 10 years, interest paid monthly and principal paid annually. Principal outstanding as of June 30, 2002, is \$17,000. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 946	\$ 8,000
2004	363	9,000
Totals	<u>\$ 1,309</u>	<u>\$ 17,000</u>

B. Fire Truck Lease - General Fund

On February 25, 2000, the Simpson County Fiscal Court entered into a lease-purchase agreement with Emergency One, Inc. The lease-purchase agreement was for the purchase of a fire truck. The principal was \$150,985 at 6.09 percent interest for a period of 10 years, interest and principal paid annually. Principal outstanding as of June 30, 2002, is \$127,477. Lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 7,763	\$ 12,838
2004	6,982	13,620
2005	6,152	14,450
2006	5,272	15,330
2007	4,339	16,263
2008	3,348	17,253
2009	2,297	18,304
2010	1,183	19,419
Totals	<u>\$ 37,336</u>	<u>\$ 127,477</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 7. Capital Lease Agreements (Continued)

C. Fire Substations Lease - General Fund

On November 2, 2001, the Simpson County Fiscal Court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease-purchase agreement was for the construction of fire substations. The principal was \$250,000 at 3.25 percent interest for a period of 15 years, interest paid monthly and principal paid annually. Principal outstanding as of June 30, 2002, is \$242,381. Lease payment requirements excluding an anticipated interest rebate from KACoLT are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 9,289	\$ 13,401
2004	8,754	13,843
2005	8,202	14,300
2006	7,631	14,772
2007	7,042	15,259
2008-2012	25,663	84,185
2013-2017	7,842	86,621
Totals	<u>\$ 74,423</u>	<u>\$ 242,381</u>

D. Detention Facility Renovation And Addition Lease - Jail Fund

On April 18, 2002, the Simpson County Fiscal Court entered into a lease-purchase agreement with the Kentucky Area Development Districts Financing Trust. The lease-purchase agreement was for the purpose of additional financing of the detention facility renovation and addition. The principal was \$500,000 at variable interest rates for a period of 21 years, interest paid semi-annually and principal paid annually. Principal outstanding as of June 30, 2002, is \$500,000. Lease payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 29,195	\$
2004	25,903	15,000
2005	25,363	15,000
2006	24,785	15,000
2007	24,130	20,000
2008-2012	107,040	100,000
2013-2017	79,110	130,000
2018-2022	39,677	165,000
2023	2,220	40,000
Totals	<u>\$ 357,423</u>	<u>\$ 500,000</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 8. Subsequent Events

Mortgage Revenue Bonds, Series 2002 - Simpson County Justice Center Corporation

Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued Simpson County Justice Center Corporation First Mortgage Revenue Bonds (bonds), Series 2002, on July 1, 2002, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On July 10, 2002, \$7,460,000 of bonds were issued at various interest rates. Since these bonds were issued at a discount of \$31,179, net bond proceeds were \$7,428,921. The Corporation has entered into an agreement to lease the Simpson County Judicial Center to the Simpson County Fiscal Court for the amount of the bond payments. The Simpson County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the Simpson County Judicial Center. Proceeds of \$1,514,833 from this bond issue will be used to fully repay the borrowed money discussed in Note 4. \$307,398 of the funds from the bond issuance was deposited into a sinking fund to meet debt service requirements. Debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 207,412	\$
2004	311,118	245,000
2005	305,973	255,000
2006	299,470	260,000
2007	292,190	270,000
2008-2012	1,313,440	1,535,000
2013-2017	977,287	1,910,000
2018-2022	497,866	2,425,000
2023	27,300	560,000
Totals	<u>\$ 4,232,056</u>	<u>\$ 7,460,000</u>

Note 9. Community Development Block Grant - State Programs

Simpson County Fiscal Court (Fiscal Court) was awarded a federal grant in the amount of \$500,000 from the United States Department of Housing and Urban Development, passed through the Department for Local Government, Commonwealth of Kentucky, Kentucky Community Development Block Grant - State Programs, to provide funds for the Toyo Automotive Parts (USA), Inc. Infrastructure Project. These funds are passed through to the Simpson County Water District. During fiscal year 2002, Fiscal Court received and expended grant funds of \$331,253. The unexpended balance as of June 30, 2002, was \$0.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 10. Reserved Fund Balances

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. The following funds had reserved fund balances.

A. General Fund Type

As of June 30, 2002, \$92,502 of fund balance of the General Fund was reserved because these funds were legally restricted as follows:

- 1) Simpson County Fiscal Court received funds from the Department for Local Government, Commonwealth of Kentucky, for the Kentucky Body Armor Program to purchase three sets of body armor for the Simpson County Sheriff's Office. The unexpended balance as of June 30, 2002, was \$844.
- 2) Simpson County Fiscal Court received funds in the amount of \$250,000 from a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). These funds are legally restricted to be used for the construction of fire substations. The unexpended balance as of June 30, 2002, was \$91,658.

B. Special Revenue Fund Type

The fund balance of the 911 Emergency Dispatch Fund - Special Revenue Fund Type is reserved because these funds are legally restricted to be used for the establishment, operation, and maintenance of a 911 emergency communication system. As of June 30, 2002, the fund balance of the 911 Emergency Dispatch Fund was \$9,392.

C. Capital Projects Fund Type

As of June 30, 2002, \$703,024 of fund balance of the Capital Projects Fund Type was reserved because these funds were legally restricted as follows:

- 1) The fund balance of the Jail Construction Fund - Capital Projects Fund Type is reserved because these funds are legally restricted to be used for the detention facility renovation and addition. As of June 30, 2002, the fund balance of the Jail Construction Fund was \$285,450.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 10. Reserved Fund Balances (Continued)

C. Capital Projects Fund Type (Continued)

- 2) As of June 30, 2002, \$417,574 of the fund balance of the Justice Center Corporation Fund - Capital Projects Fund Type is reserved because these funds are legally restricted as follows:
 - a. As of June 30, 2002, \$392,127 of the fund balance of the Justice Center Corporation Fund was legally restricted to be used for the justice center construction.
 - b. On June 28, 2001, Simpson County Fiscal Court purchased land for the Simpson County Judicial Center. The entire purchase price was booked as expenditures for fiscal year 2001. However, as part of the purchase agreement, \$25,000 of the purchase price was deposited to an escrow account in the name of the Simpson County Fiscal Court until environmental reviews are completed. Therefore, the beginning balance as of July 1, 2001, of the Justice Center Corporation Fund was restated by \$25,000. During fiscal year 2002, Fiscal Court received interest of \$447 on this escrow account. As of June 30, 2002, \$25,447 of the fund balance of the Justice Center Corporation Fund was legally restricted to be used for the fulfillment of the purchase agreement.

Note 11. Insurance

For the fiscal year ended June 30, 2002, Simpson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

SIMPSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 2,292,851	\$ 2,005,232	\$ (287,619)
Road and Bridge Fund	1,071,325	976,255	(95,070)
Jail Fund	1,029,715	908,845	(120,870)
Local Government Economic Assistance Fund	56,500	70,326	13,826
<u>Special Revenue Fund Type</u>			
911 Emergency Dispatch Fund	<u>65,600</u>	<u>63,835</u>	<u>(1,765)</u>
Totals	<u>\$ 4,515,991</u>	<u>\$ 4,024,493</u>	<u>\$ (491,498)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 4,515,991
Add: Budgeted Prior Year Surplus			188,507
Less: Other Financing Uses			<u>(40,763)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,663,735</u>

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SCHEDULE OF OPERATING REVENUE

SIMPSON COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Types	Special Revenue Fund Type	Capital Projects Fund Types	Debt Service Fund Types
Taxes	\$ 1,336,022	\$ 1,336,022	\$	\$	\$
In Lieu Tax Payments	22,071	22,071			
Excess Fees	108,052	108,052			
Licenses and Permits	6,788	6,788			
Intergovernmental Revenues	2,213,666	2,213,666			
Charges for Services	129,257	65,554	63,703		
Miscellaneous Revenues	178,714	175,060		3,654	
Interest Earned	60,027	33,445	132	26,283	167
Total Operating Revenue	<u>\$ 4,054,597</u>	<u>\$ 3,960,658</u>	<u>\$ 63,835</u>	<u>\$ 29,937</u>	<u>\$ 167</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

SIMPSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>GENERAL FUND TYPES</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 493,810	\$ 473,680	\$ 20,130
Protection to Persons and Property	1,091,917	1,061,993	29,924
General Health and Sanitation	213,804	212,803	1,001
Social Services	7,350	5,847	1,503
Recreation and Culture	369,514	368,093	1,421
Roads	617,928	605,515	12,413
Debt Service	26,262	25,550	712
Capital Projects	1,055,000	837,099	217,901
Administration	597,550	567,875	29,675
 Total Operating Budget - General Fund Types	 \$ 4,473,135	 \$ 4,158,455	 \$ 314,680
 Other Financing Uses:			
Principal on Jail Bonds	13,043	13,043	
Capital Lease Agreement- Principal on Leases	27,720	27,720	
 TOTAL BUDGET - GENERAL FUND TYPES	 <u>\$ 4,513,898</u>	 <u>\$ 4,199,218</u>	 <u>\$ 314,680</u>
<u>SPECIAL REVENUE FUND TYPE</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	\$ 190,600	\$ 178,450	\$ 12,150
 TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	 <u>\$ 190,600</u>	 <u>\$ 178,450</u>	 <u>\$ 12,150</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Simpson County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We did not audit the financial statements of the Simpson County Tourist Commission. Other auditors whose reports have been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Simpson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2002

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jim Henderson, Simpson County Judge/Executive

Members of the Simpson County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Simpson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Simpson County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Simpson County's management. Our responsibility is to express an opinion on Simpson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Simpson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Simpson County's compliance with those requirements.

In our opinion, Simpson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Simpson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Simpson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 18, 2002

FINDINGS AND QUESTIONED COSTS

SIMPSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Simpson County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Simpson County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Simpson County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Simpson County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant – State Programs.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Simpson County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SIMPSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grants- State Programs (CFDA #14.228)	01-021	\$ 331,253
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Local Law Enforcement Block Grant (CFDA #16.592)		2,665
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)		<u>3,351</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 337,269</u></u>

SIMPSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis of accounting.

Note 2 - As required by The Community Development Block Grant Agreement, all program moneys received by the recipient after the completion of all recipient grant activities shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

Note 3 - The federal expenditures for Community Development Block Grant - State Programs consist of grants to subrecipients as follows:

<u>Subrecipient</u>	<u>Number</u>	<u>Pass-through Grant Amount</u>
Simpson County Water District	01-021	\$ <u>331,253</u>

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

SIMPSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

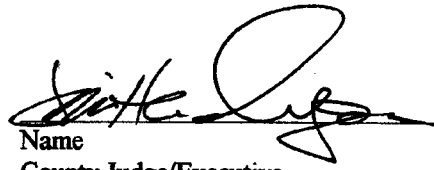
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


SIMPSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Simpson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

AUDIT REPORT OF THE
SIMPSON COUNTY TOURIST COMMISSION

For The Fiscal Year Ended June 30, 2002

Kathryn A. Thissen
Certified Public Accountant
P.O. Box 605
Brandenburg, KY 40108

Telephone (270) 828-5256
Fax (270) 828-5244
kshack@bbtel.com

**AUDIT EXAMINATION OF THE
SIMPSON COUNTY
TOURISM COMMISSION**

Fiscal Year Ended June 30, 2002

**Member Kentucky Society of CPA's
American Institute of Certified Public Accountants**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SIMPSON COUNTY TOURISM COMMISSION

Fiscal Year Ended June 30, 2002

The audit of the Simpson County Tourism Commission has been completed for the fiscal year ended June 30, 2002. I have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The fund balances increased by \$432 from the prior fiscal year, resulting in a fund balance of \$98,194 as of June 30, 2002.

Deposits:

The tourism commission's deposits were insured and collateralized by bank securities or bonds.

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Kathryn A. Thissen
Certified Public Accountant
P.O. Box 605
Brandenburg, KY 40108

To the People of Kentucky
Honorable Paul Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Members of the Simpson County Tourism Commission
Kentucky Hotel and Motel Association
Kentucky Restaurant Association
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

Independent Auditor's Report

I have audited the accompanying financial statement of assets, liabilities and fund balances of Simpson County Tourism Commission, a component unit of the Simpson County Fiscal Court, as of June 30, 2002, and the related statement of revenues, expenditures, and changes in fund balances for the year then ended. These general purpose financial statements are the responsibility of the Simpson County Tourism Commission. My responsibility is to express an opinion on the general purpose financial statements based on my audit.

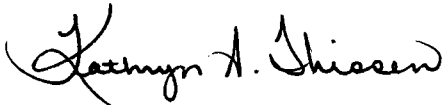
I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the Simpson County Tourism Commission, and the related statement of revenues, expenditures, and changes in fund balances as of and for the year ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

To the People of Kentucky
Honorable Paul Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Members of the Simpson County Tourism Commission
Kentucky Hotel and Motel Association
Kentucky Restaurant Association
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

In accordance with Government Auditing Standards, I have also issued a report dated November 18, 2002, on my consideration of Simpson County Tourism Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Respectfully,

A handwritten signature in black ink, reading "Kathryn A. Thissen". The signature is written in a cursive style with a large, stylized initial 'K'.

Kathryn A. Thissen
Certified Public Accountant

Audit Fieldwork Completed -
November 18, 2002

SIMPSON COUNTY TOURISM COMMISSION BOARD MEMBERS

Fiscal Year Ended June 30, 2002

Donna Houston
Charles McCutchen, Sr.

Chairman
Treasurer

Lucille Brooks
Kelly Harding
Judy Long
Kathy Poston
Hal Toomey

Board Member
Board Member
Board Member
Board Member
Board Member

SIMPSON COUNTY TOURISM COMMISSION
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES

June 30, 2002

Assets and Other Resources

Assets

Governmental Fund Type

Special Revenue Fund Type

Tourism Commission Fund:

Cash	\$ 80,056
Receivable From Simpson County Fiscal Court (Note 4)	19,193

Account Group

General Fixed Assets

Tourism Commission Fund:

Land (Note 5)	\$ 74,500	
Building (Note 5)	197,765	272,265

Total Assets and Other Resources	\$ 371,514
----------------------------------	------------

Liabilities and Fund Balances

Liabilities

Governmental Fund Type

Special Revenue Fund Type

Tourism Commission Fund:

Accounts Payable	\$ 1,055
------------------	----------

Total Liabilities	\$ 1,055
-------------------	----------

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY
 TOURISM COMMISSION
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 Fiscal Year Ended June 30, 2002
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Investments In General Fixed Assets:

Account Groups

General Fixed Assets

Tourism Commission Fund (Note 5)	\$ 272,265
----------------------------------	------------

Reserved:

Governmental Fund Type

Special Revenue Fund Type

Tourism Commission Fund (Note 7)	<u>98,194</u>
----------------------------------	---------------

Total Fund Balances	<u>\$ 370,459</u>
---------------------	-------------------

Total Liabilities and Fund Balances	<u><u>\$ 371,514</u></u>
-------------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY TOURISM COMMISSION
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES

Fiscal Year Ended June 30, 2002

	Special Revenue <u>Fund Type</u>
	Tourism Commission <u>Fund</u>
<u>Revenues</u>	
Schedule of Operating Revenue	<u>\$ 103,826</u>
Total Revenues	<u>\$ 103,826</u>
<u>Expenditures</u>	
Comparative Schedule of Final Budget and Budgeted Expenditure	<u>\$ 103,394</u>
Total Expenditures	<u>\$ 103,394</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 432
Fund Balance - July 1, 2001	<u>97,762</u>
Fund Balance - June 30, 2002	<u><u>\$ 98,194</u></u>

The accompanying notes are an integral part of the financial statements.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

The Simpson County Tourism Commission (commission) was formed as a result of enabling legislation passed by the General Assembly of the Commonwealth of Kentucky. By action of the Simpson County Fiscal Court, an ordinance was enacted in 1992, establishing the Simpson County Tourism Commission and the transient room tax. The purpose of the commission is to promote convention and tourism activity. KRS 91A.360 allows the commission to elect from its membership a chairman and a treasurer, and it may employ personnel and make contracts necessary to carry out its purpose. The contracts may include, but shall not be limited to, the procurement of promotional services, advertising services, and other services and materials relating to the promotion of tourist and convention business.

The commission's purpose is to direct the promotion of tourism and convention activities of the Simpson County service area. The commission's objectives are:

- To increase business to every establishment which directly or indirectly serves the convention and/or traveling public;
- To encourage those serving the traveling public to always render a high standard of performance and to levy charges proportionate to the quality and quantity of service and/or products supplied;
- To extend the hand of welcome to all visitors, and visitor prospects, in keeping with the highest traditions of hospitality expected of our area and in keeping with fair and honest business practice; and
- To provide leadership and/or seek funding to involve those establishments serving the traveling public in projects and programs which enhance and advance our community, and simultaneously provide for expansion of convention and/or tourist business in Simpson County.

The commission membership consists of seven people appointed by the County Judge/Executive in Simpson County.

- Three members from a list submitted by the local hotel/motel association;
- One member from a list submitted by the local restaurant association;
- One member from a list submitted by the Chamber of Commerce; and
- Two members appointed by the County Judge/Executive.

Board members are initially appointed for terms as follows:

- Two for the term of three years;
- Two for the term of two years; and
- Three for the term of one year.

Subsequent appointments shall be for three-year terms. Board members may be removed for cause.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity

- 1) The financial statements of Simpson County Tourism Commission include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.
- 2) The Simpson County Tourism Commission is included as a component unit of the Simpson County Fiscal Court. The Simpson County Tourism Commission is fiscally dependent on the Simpson County Fiscal Court. The Fiscal Court levies and collects the transient room tax, the Tourism Commission's major source of revenue (Note 1. C.). The Simpson County Fiscal Court includes the Simpson County Tourism Commission's audit report as an appendix of the Fiscal Court's audit report.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds and account groups to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Simpson County Tourism Commission's Fund Types, a definition of each, and funds included within each fund type are listed below.

1) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Tourism Commission Fund of the Simpson County Tourism Commission is reported as a Special Revenue Fund Type.

2) General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. Capital outlays in funds other than proprietary funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the Tourism Commission uses a current financial resources measurement focus and utilizes a modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities or the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The major source of revenue of the Tourism Commission is the transient room tax received from the Simpson County Fiscal Court. On March 31, 1992, the Simpson County Fiscal Court enacted an ordinance imposing a transient room tax. The Simpson County Fiscal Court currently collects "3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, groups, or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses." Since the transient room tax was enacted to "be used for the operation of the local Tourism and Convention Commission to promote convention and tourist activity in Simpson County, Kentucky," the Simpson County Fiscal Court pays all money collected for the transient room tax over to the Simpson County Tourism Commission monthly.

D. Legal Compliance - Budget

The Simpson County Tourism Commission is required by the State Local Finance Officer to prepare a budget. The Tourism Commission is required to file an annual budget with the fiscal court by June 1 of each year. The budget is prepared by fund, function, and activity. The commission prepared a proposed budget for fiscal year ended June 30, 2002. The budget was submitted to the Simpson County Fiscal Court for approval.

E. Fiscal and Financial Procedures

The fiscal and financial procedures are:

- The fiscal year of the commission begins on July 1 and ends June 30 of the following year.
- The funds of the commission are derived from transient room taxes authorized by KRS; and are limited by statute not to exceed three percent. Supplemental funds may be derived from the Kentucky Matching Funds Program as permitted by statute and that agency's guidelines; and from such additional sources as the commission may from time to time approve.
- There shall be no dollar limit on budget-approved expenditures except that competitive bids will be obtained on intended purchases at, or above, the statutory limit (\$10,000), and in full accord with statutory provisions.
- The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Cash and Investments

Cash includes amounts in the bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

Kentucky Revised Statute 66.480 authorizes the Simpson County Tourism Commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Fixed Assets

Fixed assets used in governmental fund types of the Tourism Commission are recorded in the general fixed assets account group. Fixed assets that are purchased or constructed are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Assets in the general fixed assets account group are not depreciated.

Note 2. Employee Retirement System

The Simpson County Tourism Commission does not participate in a retirement system.

Note 3. Deposits

The Simpson County Tourism Commission maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Simpson County Tourism Commission met the requirements stated above, and as of June 30, 2002, deposits were fully insured or collateralized at a 100% level with securities held by the Simpson County Tourism Commission's agent in the Simpson County Tourism Commission's name.

SIMPSON COUNTY TOURISM COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Receivable

As of June 30, 2002, the Simpson County Tourism Commission was due \$19,193 from the Simpson County Fiscal Court for the transient room tax. The \$19,193 represents amounts due from the local hotel/motels for May 2002 and June 2002.

Note 5. Fixed Assets

Activity in the general fixed assets account group for the Tourism Commission for the year ended June 30, 2002, was as follows:

	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002
Land	\$ 74,500	\$ 0	\$ 0	\$ 74,500
Construction in Progress - Building	197,637	128	0	197,765
Total General Fixed Assets	<u>\$ 272,137</u>	<u>\$ 128</u>	<u>\$ -</u>	<u>\$ 272,265</u>

Note 6. Insurance

The commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the commission carries commercial insurance.

Note 7. Reserved Fund Balance

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. The fund balance of the Tourism Commission Fund is reserved because these funds are legally restricted to be used for promoting convention and tourist activity in Simpson County, Kentucky.

SIMPSON COUNTY TOURISM COMMISSION

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>Special Revenue Fund Type</u>			
Tourism Commission Fund	\$ 103,885	\$ 103,826	\$ (59)
Totals	<u>\$ 103,885</u>	<u>\$ 103,826</u>	<u>\$ (59)</u>
<u>Reconciliation</u>			
Total Budgeted Operation Revenue Above			\$ 103,885
Add: Budgeted Prior Year Surplus			0
Less: Other Financing Uses			<u>0</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 103,885</u>

SIMPSON COUNTY TOURISM COMMISSION
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2002

	GOVERNMENTAL FUND TYPE
	<u>Special Revenue Fund Type</u>
REVENUE:	
Intergovernmental Revenues	\$ 98,540
Miscellaneous Revenues	4,465
Interest Earned	<u>821</u>
Total Operating Revenue	<u><u>\$ 103,826</u></u>

SIMPSON COUNTY TOURISM COMMISSION
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2002

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Administrative Expense	\$ 54,185	\$ 53,776	\$ 409
Supplies and Promotional Expenses	35,950	35,836	114
Other Expenses	13,750	13,654	96
Capital Projects	-	128	(128)
 TOTAL BUDGET - ALL SPECIAL REVENUE FUND TYPE	 \$ 103,885	 \$ 103,394	 \$ 491

**REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kathryn A. Thissen
Certified Public Accountant
P.O. Box 605
Brandenburg, KY 40108

To the People of Kentucky

Honorable Paul Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Members of the Simpson County Tourism Commission

Kentucky Hotel and Motel Association

Kentucky Restaurant Association

Honorable Jim Henderson, Simpson County Judge/Executive

Members of the Simpson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

I have audited the general purpose financial statements of Simpson County Tourism Commission, a component unit of Simpson County Fiscal Court, as of and for the year ended June 30, 2002, and have issued my report thereon dated November 18, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Simpson County Tourism Commission's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

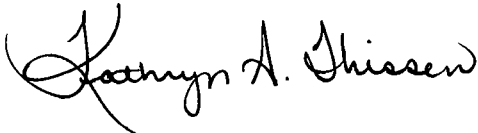
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Simpson County Tourism Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit
Of The Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully,

A handwritten signature in black ink, reading "Kathryn A. Thissen". The signature is written in a cursive style with a large, looping initial 'K'.

Kathryn A. Thissen
Certified Public Accountant

Audit Fieldwork Completed -
November 18, 2002

